THE FINANCIAL SITUATION.

Stocks were active and strong last week, but in the security markets the most striking features were the activity and strength of bonds. Issues and authorizations of new securities other than stocks were far greater than in any previous period of the year. They amounted indeed for the eleven business days of this month to about $125,000,000, as compared with $82,000,000 for the entire month of March last year. The new offerings were absorbed with unexpected rapidity and eagerness and at the close of the week negotiations were under way for quite as important and extensive flotations as were announced in the week then closed. All these offerings are obviously made or contemplated in response to a healthy demand from investors here and also to an urgent foreign demand, for it is well known that much more than the customary portion of recent issues has been placed abroad, and two or three inferences from the movement also occur logically and obviously. It is naturally obvious that the demand for bonds among investors demonstrates a great growth of confidence in the securities of the big corporations. If the objection is made that the sale of bonds by a big banking house or a banking syndicate means principally a distribution of them among other financial institutions and banking houses here and abroad it is plain that the big and little bankers believe in the securities they are taking or else would not load up with them. And it is even more apparent that the corporations issuing the new securities are supplying themselves with funds with the intention of disbursing those funds for labor and materials in such a manner as must inevitably conduce to the general advantage of business. Idle money is returning to business uses to a greater extent than at any previous time of the year. That such a return of funds is conducive to new and increased prosperity is of course another matter not subject to dispute. The only question that may be raised is as to the continuation of the demand for bonds, as to the ability of all important companies to finance their requirements. Here is presented the element of uncertainty as to the continuation of the foreign demand. Undoubtedly to a large extent that foreign demand is conditioned on the controversy over Government finances in Great Britain, for it is from capital alarmed over radical tendencies there that comes much of the vast amount of foreign capital recently invested in American securities. In this respect the moment is peculiarly opportune for advantageous sales of high class American securities, and the avidity with which our bankers and corporations are responding to the demand indicates that they are entirely alive to the opportunity. It is a demand that may ebb with a change in the political tide, and it is generally advantageous that it has not been overlooked or neglected. But whether or not inducement comes from political change to invest in his home securities the attitude of the foreign investor, by training and inheritance a more conservative and scrutinizing person than the average American investor, has encouraged the release of large amounts of idle money here into investment in home securities. It has been one of the peculiarities of the present improvement in the bond market that the foreign investor came in first, at a time when American capital with the experience of 1907 in mind was becoming almost as timid as in the early part of that year, and that the idle funds here only began to come out after the foreign demand had been in considerable measure satisfied. Another peculiarity of the recent bond offerings has been that they have been put out on terms more advantageous to the investor than at any time since the markets settled down from the panic disturbances three years ago. Very likely this circumstance is directly related to the high cost of living, which impels very many of even the most conservative investors to seek a higher income return than would have satisfied them as recently as a year ago. Thus New York city bonds, which are as abundantly secured as any other municipal bonds in the world, are to be offered presently at an interest yield of 4¼ per cent. So also the current offerings of high class railroad bonds go to the investor at a price yielding him at least 4½ per cent. The increase in the cost of living or the decrease in the value of gold whichever way one may care to characterize the principal economic development of recent times is undoubtedly the real underlying cause of this increase in income returns. It is greatly to the credit of bankers and corporation managers that they have appreciated the new condition and met it in a way that has already put more than a hundred millions of idle money into circulation for business purposes.

It is idle to suppose that if the investor in bonds of the highest class is impelled or compelled to demand a higher income return the investor in standard stocks is not also seeking a better income on his money. Stocks that attract him must realize a higher income return than in several of the years preceding 1907. The day of the 3 or 3½ per cent. income return on stocks is not the present day. The stockholder who has long been interested in a particular company needs a higher return from his capital to quite as great an extent as does the employee from his labor. One is as justified in becoming insistent in his demand upon the management as is the other. One may have worked for a living and saved for old age as industriously and thriftily as does any workingman to-day and is as much entitled to the reward from his industry and thrift. The consideration, though it was not principally instrumental in the action of the New York Central directors last week, applies to the increase in the dividend on the stock of that company. Of all the standard active railroad stocks Central has long been yielding the lowest income return. For a long period last year it sold at about a 3½ per cent. income return. This year its average price has afforded an income return of about 4 per cent. on a 5 per cent. dividend rate. At its average price in the closing days last week, after the increase of the dividend to 6 per cent., it supplied an income return of about 4½ per cent. Such an investment yield, especially when combined with the frequent rights given to Central stockholders, should prove attractive to holders of stock of the Central's standing and long dividend record. But whether or not the rule applies to this particular case it is quite certain that stocks must be either more than normally cheap or return more than the income previously considered normal to attract the investor. In which regard the remarks of the *Commercial and Financial Chronicle* in discussing the increase in the Central dividend are peculiarly pertinent. "The old time policy of putting surplus earnings back into the property," it said, "is now apparently being abandoned. Obviously there cannot be the same need for such expenditures there once was. Very likely, however, the change has been induced by the action and regulations of the Interstate Commerce Commission, which prohibit charging up such outlays in the former manner and require that outlays for improvements and additions in the nature of capital expenditure shall be stated separately in the income account and shall also be entered as a separate item in the balance sheet." None too frequently does the Interstate Commerce Commission attract the investor, who in the long run is the person establishing the average level of prices.

Whether or not the relative cheapness of stocks as compared with former periods of normal prosperity or relatively higher dividends is to be the fashion there is no doubt that the numerous statements of railroad and industrial companies issued last week encouraged the idea that equities in the stocks of practically all the well established companies are increasing, or at least have recently enhanced materially. Almost without exception statements for January were unexpectedly favorable not only by comparison with the poor railroad statements for December but by comparison with the high January records of all the reporting systems. For February returns of only gross earnings of the railroads are available, but a compilation embracing the roads thus far reporting shows a gain of $6,000,000, or 13 per cent., over last year. Quite as significant are the reports from the steel trade and from the railroad equipment companies. Average daily production of pig iron in February exceeded that in January, and the total made a new high record for the month. Equally conspicuous were the railroad purchases of equipment, which for the week just closed exceeded those of any previous week of the year. On the last day of the week there were announced purchases entailing an expenditure of more than $11,000,000. The railroads are earning money and are able to raise money for new construction and improvements, and they are expending it in a manner that must betoken confidence in the future on the part of railroad managers and fiscal agents.

Sales of securities abroad make exchange and contribute to the credit side of the unknown balance of trade. But in the nature of things these sales can not be long enduring at the present rate and the credit established by them becomes a debit for the future in interest charges, redemption of principal and sales of foreign held securities on the New York market. Sterling exchange rates declined materially last week in accordance with them, but on the last day of the week the rates recovered a part of the loss. There were then available the Government's figures of February exports of provisions, breadstuffs, cotton and other minor but important commodities. The total of these was but $49,000,000 as compared with $63,000,000 and $94,000,000 for the corresponding months of 1909 and 1908 respectively. The entire trade balance for the month is not available, but imports of merchandise at the port of New York show a great increase and there is at least a possibility that the complete figures will show an import balance for the first February since 1895. An unfavorable factor also is the comparatively low reserve reported by the Bank of England and the subsequent heavy losses of gold by England to India and the Continent, which are developments that may speedily bring a cessation of the British demand for bonds. Also bank reserves here are none too plentiful if the present pace of issuing bonds is to be kept up, and labor troubles, though there seems no chance of serious difficulty as far as the railroads and the big industrial corporations are concerned, tend greatly to curtail business activity in some important centres. And over all in the minds of timid speculators and investors hangs the dread of an extremely radical construction of the Sherman act in the American Tobacco and Standard Oil cases. Last week as in previous weeks of the year this formidable possibility undoubtedly acted as a deterrent to purchases of stocks. But last week there were no more conspicuous price movements than those in the securities of the American Tobacco Company, none in which the advances were more decided and none in which the transactions seemed to represent more confident buying by inside interests. Undoubtedly the heavy purchases of these securities reflected an opinion that is now widely held to the general effect that the decision of the court will be compatible with the general methods of business as long carried on, even though both the Standard Oil and American Tobacco companies may be ruled against on the ground of rough tactics in the elimination of competitors. The opinion is not at all generally held that the highest court will declare illegal every combination of interstate business concerns in the same line of trade. And the men who do adhere to this opinion consider that it would place under the law the Washington market grocer who buys up the stall of his neighbor, the farmer who buys or takes a mortgage on an adjoining farm or the suburbanite who breeds terriers for sale in the city and buys up the kennel of a friend. In an extremely radical construction of the law there is thus the more or less consoling reflection that all must go down together.

FINANCIAL AND COMMERCIAL.

RAILROAD AND OTHER BONDS.

Sales.		High-est.	Low-est.	Clos-ing.	Net Ch'ge.	1910 High.	1910 Low.
93	Adams Ex 4s	92⅞	92⅞	92⅞		93	92
61	Allis-Ch s f 5s	82½	82	82¼	−¼	84⅞	79¾
34	Am Agricul Ch cv 5s	102⅞	102½	102½	−⅜	103	102
2	Am Cot O 4½s	97½	97¼	97¼	+¼	98	96½
1	Am Dk & I 5s	108¼	108¼	108¼		108½	108
31	Am H & L 6s	101⅛	101	101	−⅛	102	100½
347	Am T&T cv 4s	105¼	104¼	104¾	−¼	106⅛	101
4	Am T&T clt 4s	91⅝	91⅝	91⅝	−⅛	93	91
4	Am Thread 4s	93	93	93	+⅝	93	92¼
183	Am Tob 6s	108½	106⅛	108⅛	+2⅛	109½	104⅛
381	Am Tob 4s	83	82	82½	−⅜	83¼	76¼
11	Ann Ar 1st 4s	83	83	83		83½	77
14	Argent Gov 5s JPM&Co ctf	96⅞	96⅝	96⅝		97	95⅝
51	Armour 4½s	93	92⅞	93	+⅛	94½	92
62	AT&SF cv 5s	119⅞	118	119¼	+1⅛	123⅜	117⅞
150	AT&SF cv 4s	118½	117⅛	117⅞	+⅜	123⅜	114
4	AT & SF cv 4s rcts 1st pd	117	117	117		122	116½
145	A T & S F 4s	100⅜	100⅜	100½		101	99⅝
9	AT & SF Sh L	94⅝	94⅝	94⅝	+⅛	94⅞	94
7	A T&SF ad 4s	94¼	94¼	94¼		95	94¼
20	A T & S F ad 4s std	94½	94¼	94¼	+¼	94⅝	94¼
30	Atl C Line 4s	96⅞	96¼	96¼		96⅞	93
222	Atl Coast Line col tr 4s	94⅛	94⅛	94½		95⅝	91⅛
80	B&O gold 4s	100¼	99⅝	100	−⅛	100⅜	98¼
49	B & O P L E & W Va 4s	92⅝	92½	92⅝	+⅛	93	92
44	B & O 3½s	92⅝	92	92	−⅜	93⅜	91
12	B&O SW 3½s	90⅝	90½	90½	−⅛	91	90
1	Beth Steel 5s	88	88	88	+1	89	86⅞
7	B R T 5s	104	102	104	−⅜	104⅞	102
351	B R T cv 4s	85	83½	84¼	+⅝	87	81¾
24	Bkn U El 1st	102⅜	102	102½	+¼	103	101⅝
12	Bkn U Gas 1st	107½	107	107⅛	−⅛	107⅞	107
1	Buff Gas 5s	64½	64½	64½	−1⅛	67	64
17	Buf N Y & E 1st	113⅞	113⅞	113⅞		113⅞	113⅞
4	Bush Term 5s	97⅛	97¼	97¼	−⅛	97½	96½
7	Bush Term 4s	88½	88½	88½	−½	89	88½
1	Can So ext 1st	103⅜	103⅜	103⅜	+⅛	103⅜	103⅜
1	Can So 2d	101⅜	101⅜	101⅜		101⅜	101⅛
19	Cent Ga cn 5s	108¼	108¼	108¼	−⅛	109	108¼
15	Cen Ga 1st inc certificates	86	86	86	[illegible]	88	86

Sales.		High-est.	Low-est.	Clos-ing.	Net Ch'ge.	1910 High.	1910 Low.
5	Cen Ga 1st inc ctfs std	84	84	84	−4	88	84
11	Cen Ga 2d inc	79	79	79	−2	84⅝	79
54	C Leather 5s	101½	100	101½	+1⅛	101½	99¾
51	Cent Pac 1st	97⅝	97½	97½		97⅝	97
4	CRR of NJ 5s	124⅜	124½	124⅜	−⅛	125½	124½
15	C & O 6s 1911	101⅛	101⅛	101⅛		101¼	101
4	C & O 5s	113⅜	113⅜	113⅜		114⅝	112⅝
10	C & O 4½s	103¼	103	103		103⅝	102
25	Ches&O 2d 5s	103¼	103¼	103¼		107	103⅜

Continued on Ninth Page.